

Message Text

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ACTION TRSE-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9584

C O N F I D E N T I A L CAIRO 1122

E.O. 11652: GDS

TAGS: OVIP (SIMON, WILLIAM)

SUBJECT: SECRETARY SIMON'S TRIP TO EGYPT

REF: (A) STATE 19225, (B) 75 CAIRO 12906

1. EMBASSY, TOO, HAD BEEN FOCUSSED ON MATTER
AND AREAS WHICH SECRETARY SIMON MIGHT USEFULLY TAKE UP
IN HIS MEETINGS WITH VARIOUS EGYPTIAN OFFICIALS IN
CAIRO AND FOLLOWING HAD BEEN DRAFTED WHEN REFTEL A RECEIVED.

2. WE BELIEVE THAT SECRETARY SIMON COULD MAKE VERY
USEFUL CONTRIBUTION TO ORGANIZING USG EFFORTS IN EGYPT
IF HE COULD STRESS FOLLOWING SUBJECTS, TAILORED TO
FIT MEETINGS WITH INDIVIDUAL MINISTERS.

A. OPEN-DOOR ECONOMIC POLICY. TREASURY, THROUGH
ITS CHAIRMANSHIP OF ECONOMIC AND FINANCIAL JWG, IS
IN GOOD POSITION TO RELATE REACTIONS OF US BUSINESS
COMMUNITY TO PROBLEMS AND OBSTACLES THEY HAVE BEEN
ENCOUNTERING. STRESS CAN BE PLACED ON THE IMPORTANCE
TO EGYPT OF SECURING AT LEAST ONE SIGNIFICANT
INVESTMENT THAT CAN SERVE AS PILOT FOR OTHERS.
IT WOULD BE BEST, WE BELIEVE, IF DISCUSSION OF
THIS ISSUES BE GENERAL RATHER THAN FOCUS ON SPECIFIC
COMPANY PROPOSALS, IN ORDER TO AVOID DEBATE ON PROS
AND CONS OF INDIVIDUAL PROJECTS.

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(1) IN THIS CONNECTION, SECRETARY SIMON

SHOULD STRESS IMPORTANCE OF GIVING US COMPANIES
COMPETING FOR BIDS ABSOLUTELY EQUITABLE TREATMENT.
THERE HAS BEEN SOME HINT IN AMERICAN BUSINESS CIRCLES
THAT THIS HAS NOT ALWAYS BEEN CASE (CHEMTEx/DUPONT
AFFAIR) AND ANY SUCH SUGGESTION COULD MAKE SERIOUS
DIFFICULTIES FOR ADMINISTRATION'S ASSISTANCE PROGRAM
IN CONGRESS.

(W) AT SAME TIME SECRETARY SIMON COULD POINT OUT
OVERALL UTILITY TO EGYPT OF INVESTMENTS IN PROJECTS
PROVIDING FOR IMPORT SUBSTITUTION RATHER THAN, AS AT
PRESENT, INSISTING ON EXPORTS AS MEANS OF FINANCING
TOTALITY OF FOREIGN EXCHANGE COSTS, WHICH IN OUR VIEW,
IS ONE OF THE OBSTACLES HOLDING BACK FOREIGN
INVESTMENTS IN EGYPT.

B. INTEREST RATES ON US-OWNED POUND DEPOSITS.
AS YOU ARE AWARE, WE HAVE LAUNCHED EFFORT TO SECURE
AN INCREASE IN PRESENT VERY LOW RATE OF INTEREST
(0.5 PERCENT) THAT RECEIVE ON EXCESS CURRENCY
DEPOSITS. THIS IS TREASURY CONCERN IN WHICH
SECRETARY SIMON CAN TAKE ACTIVE AND USEFUL ROLE.

C. MANAGEMENT OF FOREIGN EXCHANGE. ONE OF
PRINCIPAL PROBLEMS FACING GOE, AND WHICH HAS BEEN
CALLED TO THEIR ATTENTION BY INDIVIDUAL DONOR STATES
AS WELL AS INTERNATIONAL ORGANIZATIONS, IS LACK OF
EFFECTIVE MANAGEMENT OF EGYPT'S LIMITED FOREIGN
EXCHANGE RESOURCES. SECRETARY SIMON SHOULD RECOMMEND
RATIONALIZATION OF MANAGEMENT WITH CONTROLLED
ALLOCATION OF EXCHANGE BASED UPON CAREFUL DETERMINATION
OF DEVELOPMENT PRIORITIES.

3. IN ADDITION TO TOPICS WHICH WE BELIEVE SECRETARY
SIMON SHOULD PROMOTE, THERE ARE TWO ON WHICH HE
SHOULD BE PREPARED TO SPEAK, IN EVEN - AS IS EXPECTED -
THEY ARE BROUGHT UP BY EGYPTIAN SIDE.

A. EMERGENCY RELIEF ASSISTANCE. WHILE DEPARTMENT,
AND IN PARTICULAR UNDERSEC ROBINSON, HAS LEAD ON
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THIS ISSUE, SECRETARY SIMON SHOULD BE PREPARED TO
RESPOND WITH WHATEVER POSITION WE WILL HAVE TAKEN BY
TIME OF HIS VISIT.

B. SHORT-TERM DEBT. EGYPTIANS, ESPECIALLY
PRESIDENT SADAT, CONSISTENTLY REFER TO NECESSITY
FOR CONVERTING SHORT-TERM HIGH INTEREST OBLIGATIONS
INTO MEDIUM TERM LOANS WITH LOWER INTEREST. SECRETARY

SIMON SHOULD BE PREPARED TO SPEAK ON THIS ISSUE,
SINCE IT HAS EARLIER BEEN MADE SUBJECT OF
DISCUSSIONS WITH USG.

4. RE PARA 3 REFTTEL, AMBASSADOR HAS APPOINTMENT
TO SEE GOVERNOR ZANDOU OF CENTRAL BANK ON JAN 31
TO DISCUSS DEPOSIT OF EXCESS CURRENCY FUNDS
SUGGESTED BY TREASURY IN PARA 3 REFTTEL A. HE
PROPOSES TO FOLLOW UP THIS VISIT WITH CALL ON
MINISTER OF FINANCE SINCE ABOU ISMAIL IS INITIALLY
RESPONSIBLE MINISTER IN THIS MATTER.

5. ACCORDING TO OUR INFORMATION AS REPORTED
REFTTEL B, (PARA 9) MINISTER OF INDUSTRY STILL
AWAITING FURTHER INFORMATION FROM GOODYEAR,
PARTICULARLY WITH REFERENCE TO PROJECTED PERCENTAGE
OF EXPORT PRODUCTION. MOREOVER, INVESTMENT AND FREE
ZONE AUTHORITY MET JAN 26 WITHOUT CONSIDERING
GOODYEAR PROJECT. ACCORDING TO MINECONCOOP OFFICIAL,
AUTHORITY WAS STILL AWAITING LETTER FROM
MINISTRY OF INDUSTRY AND FINANCE CONFINING AVAILABILITY
OF FOREIGN EXCHANGE AS REQUESTED BY GOODYEAR,
WITHOUT WHICH AUTHORITY WOULD DISAPPROVE PROPOSAL.
WE NOTE THAT LETTER SUGGESTED BY GOODYEAR REFERS
TO ASSURANCE FOR UNSPECIFIED AMOUNT OF FOREIGN
EXCHANGE INSTEAD OF \$18.8 MILLION MENTIONED
BYGOODYEAR REPS TO AMBASSADOR DURING THEIR LAST
MEETING WITH HIM.

6. IN VIEW OF ABOVE, EMBASSY DOUBTS VERY MUCH
THAT PROJECT CAN BE ADVANCED SUFFICIENTLY
BY TIME OF SECRETARY SIMON'S VISIT TO PERMIT PUBLIC
ANNOUNCEMENT HAVING ANY IMPACT. THIS IS WHY WE
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SUGGESTED IN PARA 2A REFTTEL A THAT HIS COMMENTS
BE CONFINED TO GENERAL PROBLEM RATHER THAN DEAL WITH
SPECIFIC COMPANY PROPOSALS.

7. WE CONSIDER SUGGESTION THAT SECRETARY SIMON
MEET WITH EGYPTIAN MEMBERS OF JOINT BUSINESS COUNCIL
IS EXCELLENT ONE AND WILL CONTACT DR. EFFAT TO
ARRANGE MEETING. HOWEVER, TIME CONSTRAINT MAY
BE A FACTOR DUE TO BREVITY OF SECRETARY'S VISIT,
BUT WE SHALL ENDEAVOR WORK OUT APPROPRIATE
TIME WITH EFFAT.
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